

Message Text

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ACTION ARA-14

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FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC 4950
INFO AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L GEORGETOWN 1577

E.O. 11652: GDS
TAGS: ECON, EAID, GN
SUBJECT: GOG STATEMENT ON CURRENT ECONOMIC SITUATION

REF: GEORGETOWN 1541

SUMMARY: EMBARRASSMENT RESULTING FROM LEAK TO PRESS
BY GOTT OF GUYANA'S EFFORTS TO OBTAIN \$100 MILLION
(TRINIDAD DOLLARS) LOAN, COUPLED WITH OPPOSITION'S
EXPLOITATION OF GOG BEGGING AND OF LAYOFFS IN GARMENT
INDUSTRY, HAVE STIMULATED RESPONSE FROM GOG ON TWO
LEVELS. FINANCE MINISTER GAVE INTERVIEW IN WHICH
HE ADMITTED THAT GOG IS SEEKING LOAN FROM GOTT, BUT
DENIED TRINIDAD PRESS REPORTS THAT AMBASSADOR MANN
HAD TOLD GOTT THAT GUYANA WOULD BE BANKRUPT BY END
OF AUGUST. HE PLACED FOREIGN RESERVES AS HIGH
AS G \$60 MILLION. SECOND LEVEL OF RESPONSE WAS
EDITORIAL-TYPE ARTICLE IN CHRONICLE, DENYING
BANKRUPTCY BUT OTHERWISE PAINTING A VERY GLOOMY
ECONOMIC PICTURE AND FORECASTING ADDITIONAL CUTBACKS
ON IMPORTS AND INCREASED UNEMPLOYMENT THIS YEAR.
UNEMPLOYMENT NOW HOVERS AT BETWEEN 20 AND 25 PERCENT,
BANKRUPTCIES AND RETRENCHMENTS ARE BECOMING MORE FREQUENT AND
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OTHER SOCIAL PROBLEMS APPEAR TO BE ON THE RISE. END SUMMARY

1. GUYANA'S ECONOMIC PROBLEMS RESULTING FROM FOREIGN
EXCHANGE SHORTAGE CONTINUE TO BE EXPLOITED BY THE
OPPOSITION NEWSPAPER "THE MIRROR." IN ARTICLES ON
JULY 10 AND 14, THE MIRROR SPOTLIGHTED GROWING PROBLEMS
IN GEORGETOWN'S GARMENT INDUSTRY, WHICH REFTEL

IDENTIFIED AS ONE OF HARDEST HIT SECTORS IN FOREIGN EXCHANGE SQUEEZE. MIRROR ALLEGED THAT LYSON'S GARMENT FACTORY, ONE OF THE COUNTRY'S LARGEST KNITWEAR AND SHIRT MAKERS, HAD LAID OFF TOTAL OF 1000 WORKERS BEGINNING WEEK OF JULY 4. EMBOFF CHECKED WITH COMPANY REPRESENTATIVE AND WAS GIVEN FIGURE OF 650 LAID OFF "TEMPORARILY." THOUGH MIRROR MAY HAVE DISTORTED FIGURE, 650 IS HALF OF LYSON'S WORKFORCE AND A VERY SERIOUS RETRENCHMENT. A NUMBER OF OTHER SIGNIFICANT EMPLOYERS, ESPECIALLY GARMENT MAKERS AND FOOD PROCESSING PLANTS, ARE UNDER SIMILAR PRESSURES DUE TO SEVERE IMPORT RESTRICTIONS.

2. GOG FINANCE MINISTER FRANK HOPE REACTED PUBLICLY ON JULY 15 TO OPPOSITION CRITICISM ON ECONOMY AND TO PUBLICITY ORIGINATING IN TRINIDAD CONCERNING GOG'S "BEGGING." IN REPORT HEADLINED IN JULY 15 GUYANA CHRONICLE, HOPE, OBVIOUSLY TRYING TO PREVENT PANIC, EMPHASIZED THAT THE COUNTRY IS DEFINITELY NOT GOING BANKRUPT, AND THAT PRESENT FOREIGN RESERVES STAND AT G \$50 TO G \$60 MILLION. HE CONFIRMED NEGOTIATIONS WITH GOTT FOR LOAN OF G \$120 MILLION WHICH HE SAID WOULD ENABLE GUYANA TO MAINTAIN EXISTING LEVEL OF CARICOM IMPORTS WITHOUT FURTHER CUTS. HOPE STRESSED THAT PRESENT BALANCE OF PAYMENTS DEFICIT IS TEMPORARY AND CONFIDENTIAL

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SUBSTANTIALLY RELATED TO HUGE INCREASES IN GUYANA'S IMPORT BILL. (MOSTLY OIL WHICH ROSE FROM G \$40 MILLION IN 1973 TO G \$200 MILLION THIS YEAR.) GIVEN FAIR WEATHER, AND THE PROSPECT THAT SUGAR, RICE AND BAUXITE WILL BRING IN FOREIGN EXCHANGE LATER IN THE YEAR, THE ECONOMY IS FUNDAMENTALLY SOUND ENOUGH TO BOUNCE BACK IN A YEAR OR TWO, AND HE CONCLUDED THAT WHAT THE COUNTRY IS INTERESTED IN IS "TEMPORARY SUPPORT."

3. EDITORIAL VIEWS EXPRESSED BY MOHAMED HAMALUDIN, CHIEF POLITICAL REPORTER FO GUYANA CHRONICLE, WHILE SUPPORTIVE OF HOPE'S STATEMENT, WERE NOT SO ROSY. WRITING IN THE JULY 17 SUNDAY CHRONICLE, HAMALUDIN DETAILED GUYANA'S "VERY DIFFICULT ECONOMIC STRAITS" AND FLATLY STATED THAT PRODUCTION LEVELS THIS YEAR, EVEN IF THEY ARE RECORD-BREAKING CANNOT OFFSET THE BALANCE OF PAYMENTS GAP CREATED BY SHORTFALLS LAST YEAR DUE TO ADVERSE WEATHER AND INDUSTRIAL UNREST. HE NOTED THAT AN UNFORTUNATE ASPECT OF PRESENT DIFFICULTIES IS THAT SOME PEOPLE TEND, WRONGLY, TO ASSOCIATE THE PROBLEMS WITH SOCIALISM AND NATIONALIZATION. THEIR CONCERN IS MAGNIFIED BY

THE "UNHAPPY MANAGEMENT" EVIDENCED AT SOME OF THE PUBLIC SECTOR ENTERPRISES. HAMALUDIN'S GLOOMY CONCLUSION IS THAT TO PULL OUT OF THE PRESENT ECONOMIC QUAGMIRE, GUYANA MUST REDUCE GAP IN THE BALANCE OF PAYMENTS THIS YEAR BY CUTTING BACK IMPORTS EVEN FURTHER AND SLOW THE ECONOMY DOWN SOME MORE.

4. HAMALUDIN STRESSED, AS DID HOPE, THAT THE DIFFICULTIES ARE NEVERTHELESS SHORT-TERM, AND THE GOTT LOAN WOULD ENABLE GUYANA TO RECOVER FROM LAST YEAR'S MISFORTUNES AND MAINTAIN CURRENT IMPORT LEVELS. HAMALUDIN NOTED THAT THE GOTT UNDERSTANDS THE SITUATION, HENCE THE NEWS THAT THE LOAN REQUEST IS BEING CONSIDERED BY THE TT CABINET. HE EMPHASIZED CONFIDENTIAL

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(AS DID HOPE) THAT THE AMOUNT OF THE LOAN IS ABOUT THE SAME AS THE CURRENT GOTT TRADE SURPLUS WITH GUYANA. BY PROVIDING THE LOAN THE GOTT WOULD RE-ENFORCE ITS IMAGE AS AN "UNDERSTANDING ADMINISTRATION."

5. COMMENT: EMBASSY IS SKEPTICAL OF FNMIN'S CONTENTION THAT FOREIGN RESERVES ARE AS HIGH AS G \$60 MILLION. THOUGHT IT IS CONCEIVABLE THERE COULD BE SMALL SURPLUS DUE TO CURRENT CAREFUL MONITORING BY BANK OF GUYANA OFFICIALS, WE HAVE HAD INDICATIONS FOR SOME MONTHS FROM ECONOMIC DEVELOPMENT MINISTRY AND CHASE MANHATTAN BANK THAT FOREIGN RESERVES WERE AT MINUS LEVELS. PRIVATELY, SOME HIGH GOG OFFICIALS HAVE BEEN TALKING IN TERMS OF BANKRUPTCY. THEREFORE, EMBASSY IS INCLINED TO BELIEVE TRINIDAD PRESS REPORT THAT AMBASSADOR MANN DID TELL GOTT THAT GUYANA IS HEADING TOWARD BANKRUPTCY IF THERE IS NO INFUSION OF CAPITAL. THOUGH SOME POSSIBILITIES FOR FINANCIAL ASSISTANCE SEEM TO BE IN THE OFFING, THEY DO NOT APPEAR TO BE OF SUFFICIENT MAGNITUDE TO PROVIDE A REMEDY. WHILE BANKRUPTCY MAY BE TOO SERIOUS A WORD FOR DESCRIBING THE SITUATION, UNEMPLOYMENT (WHICH IS NOW BETWEEN 20 TO 25 PERCENT), STREET CRIME, POSTPONED DEBT PAYMENTS, SOCIAL AND POLITICAL UNREST ARE INCREASING. BLACKEN

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